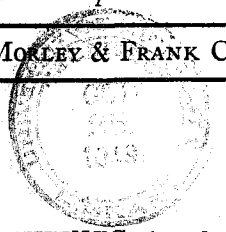
Human Events *A Weekly Analysis for the American Citizen*

Editorial Office 1710 Rhode Island Ave., N. W., WASHINGTON 6, D. C. *Telephone* NATIONAL 2066

VOL. VI, NO. 42, *Issue Number* 299, OCTOBER 19, 1949 ★ *Editors:* FELIX MORLEY & FRANK C. HANIGHEN



WHAT IS "SOCIAL SECURITY"?

by Frank Chodorov

A few of the properly critical readers of HUMAN EVENTS took issue with my argument in Soak the Poor (May 4, 1949); that "social security" is primarily an excuse for levying taxes on wage-incomes. This Analysis further pointed out that revenues derived from a special levy on wage earners are not held in reserve for the avowed purpose but are made available for any and all government expenditures. My critics brought up the trust fund feature of the law.

That called for a second article, entitled Make-Believe Insurance (June 22). In this I belabored the point that the bonds issued by the Treasury to the Social Security Administration, as an offset for the spent "social security" funds, are in no way analogous to the reserves and investments of a bona fide insurance company; that the interest on these bonds does not come from increased production but represents a tax-draft in addition to the original levy on the pay envelope.

This Analysis in turn brought forth a flood of what might be called "actuarial" letters. In general, the writers admitted the inadequacies of the trust fund, but maintained that it could be so managed that the income from "social security" taxation would balance benefit payments.

It was evident from this stimulating correspondence that the two initial articles should be supplemented by one that would identify and confront the basic issue. HUMAN EVENTS and I agree on the nature of this issue: Is it desirable, or even possible, for the government to conduct an insurance service, and what must be the result of its present attempt to do so? My critics had accepted the premise of the venture, a priori. None really considered its social and political consequences. One writer blithely brushed off the objections to the fiscal practices of the SSA as follows: "So the social security program is not operated as a private business would be. So what?"

So it becomes necessary to look to the basic premise of the program. What is "social security"?

II

In the present instance, the word "security" signifies some provision made during one's productive years against the exigencies of old age. It arises from the human capacity of forethought and antedates by centuries the idea of the annuity policy.

Copyright 1949 by HUMAN EVENTS, INC.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

What the individual puts aside for future consumption in the form of insurance is, in a money economy, usually entrusted to a strong-box or a financial institution. It is anticipated that these "policies" as evidenced by past performance, will return at least the premiums paid, when wanted, under the terms of a legal contract. Experience has shown that only part of the savings need be held in reserve against the obligations involved. The balance is invested in productive enterprise and thus enters into the capital structure of the country.

The earnings from such investments pay the operating expenses of the company, first. Any excess either augments the reserve fund, so that the savers may receive more than they paid in, or is distributed among them as dividends. Competition among insurance companies assures the policy holders of the largest possible returns.

The insurance company may buy government bonds. In that case it does not invest in productive enterprise, but in the taxing power of the government. The increment received from government bonds is not derived from any increase in the general abundance, but represents rather a draft on production. If all insurance funds were turned over to the government, in exchange for bonds, the policy holders, as taxpayers, would in effect be paying themselves all the dividends or benefits out of their current earnings. That is the SSA form of "insurance".

Returning to first principles, it is evident that the generating force of abstinence-for-security, which has led to the development of all commercial insurance, is the individual's sense of responsibility for and to himself. Insurance is fundamentally an expression of human dignity. The animal shows no desire for it; the slave lets it be provided by his master.

III

There is of course no such thing as "social security", for only the individual grows old and is in need. But the effect of what fuzzy thinkers like to call the "social security" program is to relieve the individual of that sense of self-responsibility which distinguishes him from those who are enslaved. The inclination of the "average" man toward incontinence, it is argued, overcomes his capacity to plan his life. He must be protected against his own weakness. Somebody must plan for him, as in the case of a child or slave. And who shall do the planning? The answer is the Socialist State, an amoral artifact which by absorption unburdens the individual of his will and his self-reliance.

How does the State, this fabricated man, implement its "collective" will and fulfill its "collective" obligation? Through the agency of

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

police power. Although "social security" taxes are euphoniously called contributions, and although government propaganda attempts to invest the business with voluntaryism, the plain fact is that it functions by compulsion. And lurking in the background of all its fustian is the taboo of democratic thought: the feudal theory that in the nature of things some men are destined to rule and protect others. It is a modern version of noblesse oblige.

It is precisely this father-child basis of "social security" that won Bismarck to it. In his political philosophy it was axiomatic that that the Junker class was destined to rule. The correlative of that destiny was the obligation to look after the welfare of the ruled. The eleemosynary schemes of the Socialists, therefore, were the very instruments needed to fit his philosophy of government, a product of feudalism, to the new conditions brought on by industrialization.

But, even under the most propitious circumstances "social security" resulted in social retrogression. The Junkers were in excellent position to make it work, for both tradition and economic independence freed them from the petty temptations of office. If it were possible to build a healthy society through efficient "social security" the Germans would have done it. They failed.

The reason for the failure of "social security" in Germany, and everywhere, is psychological, not political. When the individual is relieved of the obligations of maturity his inclination is to retreat to the helplessness of the foetal condition. To put it another way, relief from dependence on one's own resources develops a slave psychology. And Society, which is not an entity separate from the individuals composing it, takes its character from its parts.

IV

The good will, the brother's-keeper impulse behind enforced security is not denied. What is in question is the result. The effect on the character of the "insured" has been noted. It follows from this that the ultimate outcome of "social security" must be repudiation of the American doctrine of government; that its power is derived from the governed. As men forsake their integrity in favor of protection, so do they to that extent give up their independence. How can a people whose nest-egg is in the hands of the government face up to it? Democracy and "social security" are contradictory ideas.

But, it will be asked, cannot "social security" be divorced from politics? Cannot it be operated on sound insurance principles? The

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

questions are naive, for they ignore the human equation that plays the all-important part in every political venture. There is no way of ridding politics of people.

In the first place, the assurance of having one's old age provided for, as a matter of "right", gives rise to the hope and demand for more. No fallacy is easier to entertain than that of the cornucopia. The lure of "social security" is the gambler's lure of a return in excess of personal effort, and any attempt at actuarial containment would put this deceptive "insurance" out of business.

Moreover, it is inevitable that the aspirant for elective office will use this something-for-nothing device for his own advantage. At this very moment, be it noted, the Administration is pushing for an enlarged "social security" program -- with more taxation, of course. Noteworthy, too, is the fact that opposition takes the form of parliamentary maneuvering, with principle carefully avoided, for fear that the displeasure of voters may be incurred. The end result of this combination of office-hunting and deception would not be difficult to prognosticate, even if the record of German National Socialism were not fresh in mind.

Nor should we overlook the effect on our economy of the fiscal practices inherent in political insurance. These practices add up to the euphemism of deficit-spending, which is simply borrowing from anticipated production in order to indulge present prodigality. The history of this financial jugglery is that no generation pays off the debts of its fathers but instead incurs new debts for its own sons to meet. Bonds have a way of perpetuating themselves.

Bonds, of course, are claims on production, just like money, and cannot be distinguished from it. In fact, because of their borrowing capacity, bonds are potentially far more inflationary than an increase in specie.

As a result, the "beneficiary" of "social insurance" is paid in dollars which have less purchasing power than the dollars he was compelled to pay in. And out of the pittance he gets he must also pay his share of the taxes that service the bonds issued against his spent "savings". How can this transaction properly be distinguished from a confidence game?

Quotation up to a paragraph is permitted with credit to HUMAN EVENTS. For reproduction or more extensive quotation address requests to HUMAN EVENTS, 1710 Rhode Island Avenue, N. W., Washington 6, D. C. Trial subscription, three months for $3. Six months, $5.50. One year, $10. Two years, $18. Domestic airmail (including APO and FPO) one year, $12.00; foreign (regular mail) one year, $11. Foreign airmail rates on request. Please remit in U.S.A. DOLLARS. Allow two weeks for new subscriptions or change of address to become effective.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Not Merely Gossip *A Supplement to* Human Events Vol. VI, No. 42

HOOVER INSTITUTION SEP 25 1949 LIBRARY

By Frank C. Hanighen October 19, 1949

STATES' RIGHTS: Former Secretary of State James F. Byrnes announced on October 16 that he may run for Governor of South Carolina on the principle of States' Rights. This may eventually prove the biggest news in some time, although one would never guess it from perusal of the Northern press, which accorded scant space to the matter. Throughout the South, however, the Byrnes announcement stirred great interest -- as we discovered when we phoned to various cities below the Mason and Dixon's line. One of the South's greatest liberals (in the true sense of that word) told us that Byrnes' statement came to him as a "breath of fresh air". It offered, he said, a good opportunity to remove the stigma of Southern sectionalism from activities in behalf of States' Rights, by reason of Byrnes' status as a national figure; and it promised to bring the Southern organization into the main stream of the developing national movement against Statism. Governor Thurmond of South Carolina, candidate of the States' Rights ticket at the last election, told us on the phone that South Carolinians would regard it as wonderful if Byrnes consented to run. And he added, "The people of my state are stronger for States' Rights than ever before." Thurmond, by state law, must retire at the end of his present term; it is widely believed that he will run for Senatorship in 1950.

There is little doubt that Jimmy Byrnes can have the Governorship if he wishes. But the former Secretary of State may choose first to examine the chances in the South for a general States' Rights revival. He is scheduled to address the conference of Southern Governors at Biloxi, Mississippi, which meets November 20-22 and his talk will be on a nation-wide radio hookup. That occasion may prove crucial for the movement and for Byrnes' decision. Friends of the States' Rights idea believe that its party organization must be purged of the racial-minded and be brought into the crusade against Statism. That crusade must thereby be converted from one which is merely "against" to one which is vigorously for -- States' Rights. Southern leaders feel that the time is ripe for a realignment of parties, that the American system must be saved no matter what the party label may be and that the present sad plight of the GOP presents an opportunity for such a realignment. In some of these talks, we heard the name of Taft mentioned as one whom true Southern liberals could sincerely follow. Taft's fight for re-election in Ohio is increasingly regarded as a test of the survival of the Republic.

* * * * *

LAW ENFORCEMENT: The calm unconcern with which the President arrogates power to the Executive is a byword these days in the Capital. A Member of Congress related to us an incident which happened last week. Mr. Truman invited the Senate-House conferees on the pay bill to visit him in the White House. During his discussion of the bill, there arose the matter of the McLellan amendment, requiring the Executive to submit a double budget to the Legislative branch. Mr. Truman advised the conferees to drop the amendment. He said bluntly, according to our friend, "You might as well, for if you pass it I am not going to enforce it. I am not going to submit a double budget." Our friend was not only appalled by the President's cool statement but also by the rather matter-of-fact way in which some of the Senators and Representatives present accepted the President's statement. In much the same way, they have tolerated Truman's failure to invoke the Taft-Hartley Act.

* * * * *

Copyright 1949 by Human Events, Inc.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

NEHRU VISIT: The visit of Premier Nehru has inspired much amused interest among Capital observers. Before the Indian leader arrived, too many people assumed that just another foreign ruler was approaching with hat in hand and eyes fixed on the U.S. Treasury. But it soon developed that Nehru was not here to court, but to be courted; that he would not plead for financial help, although he would not refuse it if proffered on his terms. His statements since arrival have hardly been those of a national leader terrorized by Communism and rushing for American assistance. He said that his Government would not take sides in the cold war and he loftily deplored the arms race between the United States and the Soviet Union. Nor were there any tributes to the achievements of the American free enterprise system; one international journalist sought to educate his colleagues by describing Nehru as a sort of Indian Harold Laski.

Future historians who will marvel at the spectacle of a great nation giving away its substance will undoubtedly be fascinated by the phenomenon of the Nehru visit. They will find it an interesting example of how the U.S. tries to "sell" a foreign leader on the necessity of receiving a generous fraction of that substance. The school of thought which advocates "give away" has had its eye on the subcontinent in Asia as a possible dumping place for American surplus goods. They have gazed lovingly at the enormous sterling balance to the Indian account, which has proved a drain on British economy. They have talked imprudently of the need for India to replace China as the strategic base of our Asian policy. Nehru rises above these sordid considerations and talks of the principles of humanity, of global interests. He may be playing "hard to get"; at any rate he isn't "buying" anything -- yet. But it would be surprising if his attitude discourages those who would sell our wealth for nothing.

* * * * *

BRITISH SOCIALISM: "Socialism just does not work", said Alfred Edwards, visiting British M.P., in a speech to the Ohio Savings and Loan League last week. Mr. Edwards was elected to Parliament in 1945 as a Socialist, but was expelled from the Labor Party two years ago. He will run as a Conservative in the coming general election. "We have been in power almost four years", he remarked. "We have socialized a large section of our industrial life and subjected what is left to national planning. I have spent years discoursing on the defects of capitalism. I do not withdraw those criticisms. But we have seen the two systems at work, side by side. The men who would still argue that Socialism is the means of ridding our Society of the defects of capitalism are blind. Socialism just does not work."

We had the privilege of meeting Mr. Edwards in an informal gathering last week in New York. He is an attractive man, looking much less than his 60 years. As he warms to his subject, the record of the Labor Government, he expresses the foreboding and unhappiness of the intelligent Englishman who realizes the plight to which Socialism has brought his country. He dwells with particular emphasis on the folly of the nationalization of the steel industry (the law goes on the statute books next spring), a subject of which he knows much, since there are large steel works in his constituency. "The best-run industry in England, and the best-run steel industry in the world", he remarks. When asked his guess on the outcome of the general election, he said, "A Conservative victory." This prophesy of defeat for Labor next year finds an echo in a dispatch by Lord Winster from London to the Baltimore Sun (October 16). Winster, who contributes a weekly London political column to that paper, and who was once a member of the Labor Government, says, "In my opinion the election decision is a profound mistake for the Labor Party, which may well lead to its defeat." Winster believes that the election will be held after the date in February, 1949, when the bill nationalizing steel industry reaches the statute books and before the date when a new budget would have to be introduced. "If Labor fought

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the campaign on what it will have to put in the next budget", says Winster, "it would certainly lose."

* * * * *

GRIDIRON VS. PRESIDENT: The Gridiron Club, we may report, is stirred by word from the White House that the President prefers not to attend the December dinner of that newspaper group. Mr. Truman is said to feel that the Club should hold only one dinner each year, instead of the traditional two (one in December, the other in May). "Two is too much to attend", is the present attitude of a President who not so long ago delighted in accepting invitations to all sorts of banquets. Is this a sign of his growing "I-Am-the-President" mood? Or is it pique at the lambasting which Club performers gave to his Welfare State program at their dinner last April? (See this column for May 25, 1949.) In any case, some leaders of this press club are taking the White House intimation in their stride. They propose to hold the function without Mr. Truman, but with General Eisenhower as the honor guest. And some of the scribes who compose the show are rubbing their hands at the opportunity which such a situation would give them.

* * * * *

KAWAKAMI: We mourn the death of our valued contributor, Mr. Kiyoshi K. Kawakami, who passed away last week in Washington, at the age of 76. At our request, one of his old friends, Mr. Frederick Moore, distinguished writer on world affairs, has written this, in memoriam: "K. K. Kawakami might have said 'I told you so' to both Japan and the United States, for he tried to warn both countries of the disasters that would befall them if they went to war. He was more than a correspondent for Japanese newspapers, a contributor to American publications and a writer of books on trans-Pacific affairs. Few statesmen on either side of the ocean had an understanding equal to his of relations between the two countries. I say this from personal association with him in this field, extending from the Washington Conference of 1921 to the fatal year that preceded the attack on Pearl Harbor. I sat with him by the hour in conference with Japanese ambassadors and other officials, listening to him warning them in his quiet way, and I have also heard him speaking frankly to our people. I was an admirer of the man because of the excellence of his mind and the fineness of his character.

"From an humble beginning in a remote Japanese province, he made his way as a young man to Tokyo. There, in the Nineties, he became a journalist. At the turn of the century, he came to the U.S., studied in American colleges and became a correspondent for Japanese papers. Except on visits to his native land, he never returned. He married an American lady, who bore him three children, two daughters and a son. They, being born in this country, were American citizens, though he was debarred from naturalization. On December 7, 1941, he was immediately arrested as an alien enemy. He was interned, however, only a few months, for FBI investigators could find no evidence of hostility to his adopted country in either his writings or actions. The evidence was that he had tried to stop the reckless course the Japanese Government had taken under the leadership of the military men who had seized power over the Emperor.

"Before he died, Kawakami wrote a book on the post-war situation which has become a best-seller in Japan. The proceeds are going to the relief of old friends and relatives now in distress in Japan. There is this irony in the book's popularity: if Kawakami's writings had been taken as seriously prior to the war as they are now, Japan would have kept out of conflict with the United States and would consequently be a substantial Power today, regarded by this country as a valuable buffer for us against the Soviet Union. But we should admit that neither did our leaders, who sought to make China such a buffer, see this possibility until after the surrender of Japan."

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Book Events

On Power: The Nature and History of Its Growth, by Bertrand de Jouvenel; translation by J. F. Huntington; preface by D. W. Brogan. New York. The Viking Press. $5.00. Reviewed by J. M. Lalley.

This treatise, I think, belongs among the important works of political philosophy; for although some of its ideas have been variously expressed elsewhere, M. de Jouvenel has reformulated them in relation to the great, overshadowing problem of our age. The central thesis might be expressed in Burckhardt's dictum that "power is of its nature evil, whoever wields it"; for it is subversive of the social order. By power M. de Jouvenel means simply power to command, and it implies, therefore, a concentration of the instruments of coercion. The apparatus through which power is exercised is the State, an entity distinct from the nation and directed by a will independent of Society. The State, as M. de Jouvenel conceives it, is a relatively late historical development. It becomes possible only after large formulations of power have been achieved by conquest for purposes of exploitation.

The critical moment of political history, however, arises not with the primitive conquest, but after it, when the chief brigand seeks to absorb the power of his confederates; for the tendency of power, M. de Jouvenel tells us, is always toward monopoly. Both sides to the conflict, it appears, invite the support and assistance of the conquered. If the nobility triumphs, the result is a republic and the collective will is thereafter expressed through some form of the comitia or assembly of citizens. Social institutions arise, to which those hitherto excluded from the society of rulers must gradually be admitted. Republics are thus in their origin oligarchic, but their tendency is toward decentralization and greater diffusions of power. The development of the State is arrested and that of Society enhanced. But if the king triumphs, the result of course is monarchy; and so begins the leveling process as the whole population is reduced politically to the status of subjects. Monarchy, then, has been a necessary phase in the evolution both of democracy and of the modern totalitarian State. The monarch in the process of enlarging his power strives to enlist the plebs against the aristocracy, identifying his interest with theirs and appointing them to posts of government. Thus arises the distinguishing mark of the State, which is its administrative bureaucracy. The power of the State waxes with the co-operation that is thus obtained from the people, but each of the gains is marked by a weakening of social institutions as the State invades ever larger areas of the national life. But as its power grows, the State becomes a greater danger to other States, which must meet the threat by similar encroachments upon their own societies. Revolutions have always the effect of accelerating rather than of retarding the growth of power, for they purge the State of weaknesses, inhibitions and scruples. Thus the French Revolutionary Conventions, the Directory and Napoleon I were able to exert in the names of the people a degree of power that the despotic Louis XIV would never have dared. The direction of power is, therefore, toward permanent revolution.

Thus M. de Jouvenel concludes that the sources of political liberty are aristocratic rather than democratic. Aristocracies are incapable of conducting war efficiently or of organizing whole nations upon a militaristic basis. By their existence they afford a limitation upon the central power, and encourage the growth of local autonomies and institutions, a multiplicity of rights, customs, usages and privileges that power itself is obliged to acknowledge. Thus is made possible the supremacy of law to power -- not of law conceived as the arbitrary will of the State, but of law as an eternal and unalterable justice, in short a natural law of universal rights and responsibilities as expounded by the Stoics and the Schoolmen.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED